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Fistfuls of Dollars

By PAUL KRUGMAN

It's all coming true. Before the war, hawks insisted that Iraq was a breeding ground for terrorism. It wasn't then, but it is now. Meanwhile, administration apologists blamed terrorists, not tax cuts, for record budget deficits. In fact, before the war terrorism-related spending was relatively small — less than \$40 billion in fiscal 2002. But the costs of a "bring 'em on" foreign policy are now looming large indeed.

The direct military cost of the occupation is \$4 billion a month, and there's no end in sight. But that's only part of the bill.

This week Paul Bremer suddenly admitted that Iraq would need "several tens of billions" in aid next year. That remark was probably aimed not at the public but at his masters in Washington; he apparently needed to get their attention.

It's no mystery why. The Coalition Provisional Authority, which has been operating partly on seized Iraqi assets, is about to run out of money. Initial optimism about replenishing the authority's funds with oil revenue has vanished: even if sabotage and looting subside, the dilapidated state of the industry means that for several years much of its earnings will have to be reinvested in repair work.

At a deeper level, the wobbling credibility of the occupation undermines that occupation's financing. American officials still hope to raise money by selling off state-owned enterprises to foreign investors, though they have backed off on proposals to sell power plants and other utilities. But after the bombing of U.N. headquarters, who will buy? Officials have also floated the idea of pledging future oil revenues in return for loans, but it's far from clear whether an occupying power has the right to make such deals, let alone whether they would be honored by whoever is running Iraq a few years from now.

So Mr. Bremer was telling his masters that they can no longer fake it: he needs money, now.

The biggest cost of the Iraq venture, however, may not be Mr. Bremer's problem; it may not even come in Iraq. Our commitment of large forces there creates the need for a bigger military, even as it degrades the effectiveness of our existing forces.

These days it's hard to find a military expert not reporting to Donald Rumsfeld who thinks we have enough soldiers in Iraq. But to those who say, "Send in more troops," the answer is, "What troops?"

Gen. Eric Shinseki, then the Army's chief of staff, prophetically warned that the postwar occupation would require more soldiers than the war itself. In his farewell address he made a broader point, that if we're going to do this sort of thing, we need a bigger military: "Beware the 12-division strategy for a 10-division Army."

The rule of thumb, according to military experts, is that except during crises, only one brigade in three should be deployed abroad. Yet today 21 of the Army's 33 combat brigades are deployed overseas, 16 of them in Iraq. This puts enormous stress on the troops, who find that they have only brief periods of rest and retraining between the times spent in harm's way. For example, most of a brigade of the 82nd Airborne that is about to go to Iraq returned from Afghanistan only six months ago.

So unless we can somehow extricate ourselves from Iraq quickly, or persuade other countries to bear a lot more of the burden, we need a considerably bigger military. And that means spending a lot more money.

For now, the administration is in denial. "There will be no retreat," President Bush says — Churchillian words, but where are the resources to back them up?

Mr. Rumsfeld won't admit that we need more troops in Iraq or anywhere else. We could use help from other countries, but it's doubtful whether the administration will accept the kind of meaningful power-sharing that might lead to a new Security Council resolution on Iraq, which might in turn bring in allied forces.

Still, even the government of a superpower can't simultaneously offer tax cuts equal to 15 percent of revenue, provide all its retirees with prescription drugs and single-handedly take on the world's evildoers — single-handedly because we've alienated our allies. In fact, given the size of our budget deficit, it's not clear that we can afford to do even one of these things. Someday, when the grown-ups are back in charge, they'll have quite a mess to clean up.